

Volume No. 1 - Policies & Procedures	TOPIC NO. 50455
Function No. 50000 —Payroll Accounting	TOPIC MISCELLANEOUS EMPLOYEE DEDUCTIONS
Section No. 50400—Deductions	DATE October 2004

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Overview

Introduction

The Commonwealth of Virginia offers employees a wide range of programs and services that can be paid by the employee through payroll deduction. Some of these programs are State sponsored while others are administered through third party vendors. Examples of such programs are:

- TPA Supplemental Insurance and Annuities – Offers employees a variety of insurance and tax sheltered annuity options. (An administrative fee is required for some of these products)
- Virginia College Savings Plans (VCSP)- State tuition programs offering prepaid education (VPEP) and savings trust (VEST) investment options.
- Combined Virginia Campaign (CVC) – A charitable donation program providing a system for state employees to support not-for-profit charities.

The deductions for the programs mentioned above and other programs are established on H0ZDC. Employees usually complete an enrollment form and/or some type of deduction authorization form to initiate the payroll deduction. For a complete listing of CIPPS deductions, reference CAPP Topic No. 60201, *CIPPS Codes*.

TPA Supplement Insurance and Annuities Program

TPA Supplemental Insurance and Annuities

The TPA Supplemental Insurance and Annuities program benefits employees by providing payroll deduction services for commercially available products offered by a network of independent vendors. Two types of products are offered:

- Insurance (post-tax)
- Tax Sheltered Annuities/TSA (pre-tax)

All state employees are eligible to participate in the insurance products. Tax sheltered annuities (403b) are available only to employees of higher educational institutions and qualifying educational agencies.

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TPA Supplement Insurance and Annuities Program, Continued

Third Party Administrator (TPA)

An independent third party administrator:

- Manages the network of vendors.
- Serves as the clearinghouse for deduction authorization forms processed by network vendors in response to employee enrollment activity.
- Notifies agency payroll staff of deduction changes processed by network vendors.
- Reconciles and remits payments to vendors in accordance with pre-established schedules.

Refer the TPA Administrative Manual on the DOA website at www.doa.virginia.gov (Click Payroll Information, then 3rd Party Administrator) for more information enrollment and remittance process.

Enrollment and Form Preparation

Four standard forms are used to enroll employees in the Supplement Insurance and Annuity Program. The form name and a brief description follow:

- **Post-tax Salary Deduction Agreement (SDA)** – used for all post-tax miscellaneous insurance products. The form is provided to the employee by the vendor. After completing the form the vendor forwards the forms to the TPA for further processing.
- **Pre-tax Salary Reduction Agreement (SRA)** – used for 403b tax sheltered annuity products.
- **Benefit Administrator Authorization Form (BAA)** – used to provide accurate salary and hire date information in the calculation of MEA. This form is completed by the Agency Payroll/Benefits Administrator and is forwarded to the vendor and the TPA. *(Not all Benefit/Payroll Administrators use this form).*
- **Cash Match Form (CMF)** – used to either enroll and/or change provider companies in the Cash Match Program. Eligible employees may make up to two changes of provider companies annually.

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TPA Supplement Insurance and Annuities Program, Continued

TPA Administrative Fee

Administrative fees are charged by the TPA to fund processing activities. In many cases, the vendor pays the administrative fee on behalf of the employee. When the vendor does not pay the administrative fee, the fee must be charged to the employee through payroll deduction.

Deduction Changes and Terminations

All changes, corrections, and terminations should flow through the TPA. The TPA SRA and SDA forms are the only forms that will be accepted to start, stop, or change a deduction. To initiate a change or a cancellation, the employee should:

- Contact the vendor and complete a new SDA (post tax) or SRA (pre-tax) denoting the change or cancellation. (As a contingency, the Agency Payroll/Benefit Administrator should have a small supply of the forms.)
- The vendor will forward a copy of the SDA or SRA form to the TPA.
- The TPA notifies the agency payroll personnel of the decrease or cancellation of the employee deduction. Conversely, the agency should notify the TPA via email of any terminations.

Refunds

When deductions are withheld in error, the CIPPS deduction refund process can be used to refund the employee deduction. The refund must be processed along with the employee's regular payment. Process the refund using HTODA, Employee Deduction Refund/Adjustment. Reference CAPP Topic 50605, *Tax and Deduction Overrides*, for instructions. The refund process should not be handled outside of CIPPS.

Virginia Prepaid Education Program (VPEP)

What Is VPEP

The Virginia Prepaid Education Program is an IRS Section 529 qualified state tuition program. The program allows participants to prepay the cost of future college tuition and mandatory fees at current prices. Contracts can be purchased, during the annual enrollment period, for children in the ninth grade or younger if the child or the purchaser is a resident of the State.

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Virginia Prepaid Education Program (VPEP), Continued

VEST	The Virginia Education Savings Trust is another IRS Section 529 qualified tuition program. Allows participants to save for all college costs including tuition, fees, room and board, textbooks, and computers. Accounts can be opened any time during the year, for students of any age, and there are no residency requirements.
Administration	Both VEST and VPEP are administered by the Virginia College Savings Plan (VCSP), an independent state agency. The agency oversees a trust fund that combines the contributions of all participants in order to maximize benefits from various investment activities.
General Program Information	For information on tax advantages, benefits, payment options and contract prices visit the <i>Virginia College Savings Plan</i> website at www.vpep.virginia.gov .
Payroll Deduction Authorization	<p>To make payments through payroll deduction, an employee must complete the Payroll Deduction Authorization form and mail it to VCSP.</p> <p>In most VPEP contracts, the employee requesting the payroll deduction will be the purchaser of the contract. However, VPEP has indicated that it will allow a State employee who is not the purchaser of the contract to make payments through payroll deduction. In this case, the employee must document on the form the VPEP account number (SSN) of the contract owner. VPEP administrative staff will review the authorization and if approved will forward the authorization to the employee's payroll/benefits administrator for data entry to CIPPS.</p>
Deduction Termination	Employees must complete and sign a new Payroll Deduction Authorization form to stop deduction processing. The employee must also provide a written request to VCSP administrative staff to cancel their contract.

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Combined Virginia Campaign

Introduction The Combined Virginia Campaign (CVC) is conducted annually during the months of October and November, among all classified and hourly state employees. CVC is the only authorized solicitation of employees in the state workplace on the behalf of charitable organizations. The CVC is designed to provide a convenient system for state employees to support the efforts of charitable health and human service organizations. Contributions made to charitable organizations are completely voluntary. For more information access the CVC website at www.cvc.vipnet.org.

Agency CVC Coordinator The Agency CVC Coordinator is the employee selected by a state agency to coordinate the campaign in your agency. This person is responsible for:

- Distribution of pledge cards and campaign charities directory.
 - Posting CVC campaign materials, i.e., posters notice of campaign contribution period.
 - Answering routine inquiries from employee, campaign participants.
 - Forwarding all pledge cards to the pledge processor.
-

Charity Designation Employees may contribute to a charity through cash, check, stock gift or payroll deduction. Campaign contributions may be designated to as many as four specific organizations participating in the CVC, or they may be undesignated, in which case they will first be used to cover campaign administrative cost. The balance of these funds is distributed equally among all charities participating in the campaign.

Pledge Card Processing The employee must complete a CVC authorized pledge card to participate in the program. The completed pledge card is returned to the Agency CVC Coordinator. Pledge cards indicating payroll deduction as the method of contribution are forwarded to the agency payroll office for processing. The deduction is established on the employee's deduction screen in early January of the contribution year.

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Combined Virginia Campaign, Continued

CVC Deduction Termination To stop a CVC deduction contribution the employee need only submit a written request to their agency payroll officer.

Data Entry Procedures

Online Data Entry Miscellaneous deductions are set-up on H0ZDC. Access H0ZDC and enter the appropriate sub-command as instructed in CAPP Topic No. 50110, *CIPPS Navigation*.

H0ZDC The screen below displays the deduction set required for a pre-tax deduction and corresponding administrative fee.

The screenshot shows the SNA EXTRA! Personal Client window. The title bar reads "Sna - EXTRA! Personal Client". The menu bar includes File, Edit, View, Tools, Session, Options, and Help. The toolbar contains various icons for file operations and session management. The main window displays the following information:

```

> GU 230,1111111400,068 ON H0ZDC

-----EMPLOYEE DEDUCTIONS-----
COMPANY--> 00230  EMPLOYEE NUMBER--> 1111111400
NAME-----> DAVID  D  DAVIS

NO  NAME  AMT/PCT  GOAL  UTILITY  DED  YTD
CALC GN FR  PRTY START DATE  END DATE  DED MTD

-- 59 DOCHKNG1 45.00 .00 000000000100000000
90 2 09 000 00/00/0000 00/00/0000 .00 .00

-- 68 DDSAYNG2 1.00000 .00 200000000200000000
91 2 09 000 00/00/0000 00/00/0000 .00 .00

I 39 25.00 15000.00
00 0 09 000 00/00/0000 00/00/0000 .00 .00

I_ 42 15.75 .00
00 0 09 000 00/00/0000 00/00/0000 .00 .00

0002M-UTILITY FIELD WILL BE POPULATED
08/25/04 09:17:41 1 M3LL CIDL
  
```

At the bottom of the window, there is a status bar showing "SNA Server: Connected T1", "CAP NUM", and "9:17 AM".

NOTE: Do not complete the utility field for pre-tax deductions. The system automatically fills a new pre-tax deduction's utility field with the appropriate information when Enter is pressed.

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Data Entry Procedures, Continued

NO	Enter the appropriate deduction number: <table> <tr> <th>Ded No.</th><th>Description</th></tr> <tr> <td>039</td><td>Pre-tax annuities</td></tr> <tr> <td>041</td><td>Post tax insurance</td></tr> <tr> <td>042</td><td>TPA administrative fee (required for some insurance and annuities.)</td></tr> <tr> <td>048</td><td>VEST</td></tr> <tr> <td>058</td><td>VPEP</td></tr> <tr> <td>062</td><td>CVC</td></tr> </table>	Ded No.	Description	039	Pre-tax annuities	041	Post tax insurance	042	TPA administrative fee (required for some insurance and annuities.)	048	VEST	058	VPEP	062	CVC
Ded No.	Description														
039	Pre-tax annuities														
041	Post tax insurance														
042	TPA administrative fee (required for some insurance and annuities.)														
048	VEST														
058	VPEP														
062	CVC														
NAME	This field is displayed by the system when the screen is completed and Enter is pressed.														
AMT/PCT	Enter the deduction amount to be withheld.														
GOAL	Enter the maximum amount to be withheld, if applicable.														
UTILITY	<ul style="list-style-type: none"> • Virginia pre-tax deductions – Do not complete this field for pre-tax deductions. The system automatically fills a new pre-tax deduction's utility field with the appropriate information when Enter is pressed. <i>A warning message will appear in the bottom left corner stating "0002w-UTILITY FIELD WILL BE POPULATED".</i> • Other state's pre-tax deductions – Manually set up this field to properly reflect the other state's pre-taxability. • Post-tax deductions – Enter all zeros. 														
CALC GN	These fields are displayed by the system when the screen is completed and Enter is pressed.														
FR	Enter '09' for the deduction frequency.														
PRTY START DATE END DATE	No data entry.														
MTD/YTD	No data entry. These fields are automatically updated each time the deduction is taken.														

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Internal Control

Internal Control

Agencies should ensure that all required employee authorizations are obtained before the deduction is established in CIPPS.

Records Retention

Time Period

Supporting payroll documents should be retained for a period of 5 years or until audited whichever is later.

Contacts

DOA Contact

Director, State Payroll Operations
Voice: (804) 225-2245
E-mail: Payroll@doa.virginia.gov

State Payroll Analyst
Voice: (804) 225-3120 or (804) 225-3079
E-mail: Payroll@doa.virginia.gov

Subject Cross References

References

CAPP Topic No. 50110, *CIPPS Navigation*
CAPP Topic No. 50605, *Tax and Deduction Overrides*
CAPP Topic No. 60201, *CIPPS Codes*